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Small and Medium Enterprises Financing and Poverty Reduction in Nigeria: An Empirical Analysis

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Abstract
Nigeria, like other developing countries, has continued to grapple with the menace of poverty despite several economic policies and programmes implemented by various governments. This study was therefore undertaken to assess the impact of small and medium enterprises financing on poverty reduction in Nigeria from 1991 to 2010. Using ordinary least square (OLS) analytical technique, data from the central bank of Nigeria (CBN) statistical bulletin were obtained. Findings revealed that there is a significant relationship between small and medium enterprises financing and poverty reduction in Nigeria, whereas unemployment has a strong negative correlation with poverty in Nigeria. It was concluded that small and medium enterprises financing has a positive relationship with poverty in Nigeria. It was therefore recommended inter alia that adequate attention should be given to small and medium enterprises through channeling of more resources to the sector. More so, that the government should as a matter of urgency diversify the economy and create more jobs for the increasing population to reduce the unemployment rate in the country, thereby reducing poverty.
Keywords: Small and medium enterprises financing, poverty reduction, unemployment

1.1 Introduction

Small and Medium Enterprises (SMEs) occupy a place of pride in virtually every country or state. Because of the significant roles SMEs play in the growth and development of various economies, SMEs have aptly been referred to as “the engine of growth” and “catalysts for socio-economic transformation of any country”. SMEs represents a veritable vehicle for the achievement of national economic objectives of employment generation and poverty reduction at low investment cost as well as the development of entrepreneurial capabilities including indigenous technology. Other intrinsic benefits of vibrant SMEs include access to the infrastructural facilities occasioned by the existence of such SMEs in their surroundings, the stimulation of economic activities such as suppliers of various items and distributive trades for items produced and or needed by the SMEs, stemming from rural urban migration, enhancement of standard of living of the employees of SMEs and their dependants as well as those who are directly or indirectly associated with them. Supporting these facts, Ajose (2010) states that, SMEs are the pivot of economic growth and first point of contact for the business world.

SMEs have played and continued to play significant roles in the growth, development and industrialization of many economies the world over. In the case of Nigeria, SMEs have performed below expectation due to a combination of problems which ranges from attitude and habits of SMEs themselves through environmental related factors, instability of governments and frequent government policy changes. The supportive business environment for SMEs is still weak in Nigeria. The SME support programmes are poorly coordinated and lack the necessary coverage to reach all sectors of the small business community. Almost all Microfinance Institutions (MFIs) are supposed to cater for those enterprises with credit lending. However, project lending and risk capital for SMEs is virtually unavailable. The private equity and venture capital funds established in Nigeria are few and cater primarily for the needs of expansion of established business and privatized companies.

However, as Hallberg (2000) observes, government assistance strategies in both developed and developing countries often try to achieve a combination of equity objectives (alleviating poverty and addressing social, ethnic and gender inequalities) and efficiency objectives (raising the productivity and profitability of firms). Likewise, Ojo (2003) argues that all these SME assistance programmes have failed to promote the development of SMEs. This was echoed by Tumkella (2003) who observes that all these programmes could not achieve expected desires due largely to abuses, poor project evaluation and monitoring as well as moral hazards

involved in using public funds for the purpose of promoting private sector enterprises.

It is on the basis of these bottlenecks in financing SMEs that this study is undertaken to analyzed the impact of SMEs financing on poverty reduction in Nigeria. To this end, the following hypotheses were tested:

H_{o1}: There is no significant relationship between small and medium enterprises financing and poverty reduction in Nigeria.

H_{o2}: There is no significant relationship between unemployment rate and poverty reduction in Nigeria.

2.1 Literature review and theoretical framework

The performance of small and medium enterprises (SMEs) is of interest to all countries. The enterprises have a big potential to bring about social and economic development, by contributing significantly in employment generation, income generation, poverty reduction and catalyzing development in urban and rural areas, Hallberg (2000), Williams (2006). In many of the newly industrialized nations, more than 98% of all industrial enterprises belong to the SMEs sector and account for the bulk of the labour force, Sanusi (2003). It is estimated that SMEs employ 22% of the adult population in developing countries, Kayanula and Quartey (2000) and provide more employment per unit of capital investment than large-scale enterprises, Inang and Ukpong (1992). In Nigeria, the SMEs account for about 70% of industrial employment, Adebusuyi (1997) and well over 50% of the Gross Domestic Product, Odeyemi (2003). The ability to find out the factors which improve the profitability of SMEs so that they are successful and grow into conglomerates is of considerable concern to the entrepreneurs and the Nigerian government. Recognizing the importance of SMEs in poverty reduction, government in Nigeria has set up various programmes and institutions aimed at developing the SME sector, Olutunla and Obamuyi (2008).

A new approach to small and medium-scale enterprise (SME) development began to emerge due to a number of factors. First, there was growing concern over low employment elasticity of modern, large-scale production. It was claimed that even with more optimal, policies, this form of industrial organizations was unable to absorb a significant labour force, Chenery (1974). Second, there was wide spread recognition that the use of large-scale, capital-intensive techniques was partly to blame, Chenery (1974). Third, empirical diagnosis showed that the causes of poverty were not confined to unemployment, and that most of the poor were employed in a large variety of small-scale, low-productivity activities. Thus, it was thought that one way to alleviate poverty could be increase the productivity of those engaged in small-scale production, Aftab and Rahim (1989).

2.2 Theoretical link between SMEs Financing and poverty in Nigeria

With a population of about 150 million and GDP/capita of $641, census (2006), two-thirds of Nigeria people are poor Nigeria has the third highest number of poor people in the world. Most of these poor people are dependent on small and medium scale enterprises for their livelihood. As such, their entrepreneurial contributions are strategic to the Nigerian economic development and their growth has great potential to contribute to income generation and poverty alleviation.

Various interventions have been made in different countries to cater for the peculiar needs of SMEs. These interventions include: institutional support, training in the relevant skills, tax concessions, technological acquisition and liberalized access to credit and innovation schemes, Obadan and Agba (2006).

Attempts made to address the problem of SMEs in Nigeria include direct lending by various financial institutions, see table 1. Similarly, specification of credit guidelines by the Central Bank of Nigeria to banks lending to SMEs at concessionary rates through participating banks, Inang and Ukpong (1992), Inegbenebor (2006). Other schemes include the establishment of the second tier security market, the merger of the Nigerian Bank for commerce and industry, the Nigerian Industrial Development Banks and the National Economic Reconstruction Fund into the bank of industry to provide cheap financial and business support services to SMEs. All these have not been as successful as anticipated. Studied on lending experience of five major banks in Nigeria from 1990-2006 showed that non-performing loans and advances range from 40-50% among commercial banks. The poor attitude of Nigerians to loan repayment led to unwillingness of the banks to lend to the real sector in preference for the trade sector, Feese (1994), Inegbenebor (2006).

The latest attempt by the Central Bank of Nigeria and the banker's committee to tackle the financial problems of SMEs is the establishment of Small and Medium Enterprises Equity Investment Scheme (SMEEIS). The scheme requires all banks in Nigeria to set aside 10% of their profit before tax annually for equity investment in small and medium enterprises operating in the productive sector of the economy. The scheme commenced in June 2001 and is aimed at: facilitating the flow of funds from banks for the establishment of new viable small medium industry projects, stimulating economic growth, developing local technology, promoting indigenous entrepreneurship, generating employment, UME (2001).For purpose of clarity, see table 1 below.

TABLE 1
Ratio of loans to small and medium scale enterprises to commercial bank total credit

PERIOD	LOANS TO SME (₦'M)	TOTAL BANK CREDIT	BANK LOAN TO SMES AS % OF TOTAL CREDIT
1991	20,400	41,810	48.8
1992	20,400	41,810	48.8
1993	15,462.90	48,056	32.2
1994	20,552.50	92,624	22.2
1995	32,374.50	141,146	22.9
1996	42,302.10	169,242	25
1997	40,844.30	240,782	17
1998	42,600.70	272,895.50	15.5
1999	46,824	353,081.10	13.3
2000	44,542.30	508,302.20	8.7
2001	52,428.40	796,164.80	6.6
2002	82,368.40	954,628.80	8.6
2003	90,176.60	1,210,033.10	7.5
2004	54,981.20	1,519,242.70	3.6
2005	50,672.60	1,899,346.40	2.7
2006	25,713.70	2,524,297.90	1
2007	41,100.40	4,813,488.80	0.9
2008	13,383.90	7,725,818.90	0.2
2009	15,478.40	8,634,553.20	0.18
2010	17,368.60	8,894,378.60	0.10

Source: CBN, (2010)

2.3 Problems of small and medium enterprises

Problems associated with SMEs and reasons for their failure have been widely identified. Some of these include: lack of planning, inimical government rules and regulations, poor marketing strategy, lack of technical know-how and higher interest rates, Aftab and Rahim (1987) Ekpenyong (1983).

Entrepreneurial deficiencies often pose more problems than is usually appreciated. The underlying attitudes and dispositions of entrepreneurs, which have deep roots in the traditional socio-cultural system can seriously impede development of the entrepreneurial characteristics necessary for good performance of Nigerian SMEs. The availability of and accessibility to credit is also crucial to the effectiveness of SMEs in Nigeria. For local people to generate income from productive activities requires credit, especially to stimulate traditional heavily under-capitalized local enterprises. Availability of credit, more than any other service, awakens the aspirations of potential entrepreneurs.

Government policies seem to have constituted a serious problem area for SMEs. The beginning of harsh government policies toward SMEs can be traced back to 1982 with the introduction of "stabilization measures" which resulted in import controls and drastic budget cuts. These, in turn, adversely affected the subvention to the financial institutions established to provide financial assistance to the SMEs. For example, in 1983, out of a total of 8,380 applications for loans received from the SMEs for a total of 559.13 million naira only 18 percent (1,470 projects) for a total of 46.66 million naira was disbursed.

As the economic situation deteriorated, the government introduced the Structural Adjustment Programme (SAP) in 1986). Since the strategy of liberalization and deregulation of interest rates was implemented, interest rates have continued to increase. The SMEs which prior to the SAP had been granted concessionary rates of interest (particularly for agricultural and housing loans), have had great difficulties obtaining credit.

The frequent changes, and sometimes conflicting government monetary policies, have also tended to hurt the SMEs. For example, while the government increased total credit allocation to SMEs from 16 to 20 percent, the same government removed excess liquidity in the banking industry through increase in the Minimum Rediscount Rate (MRR), transfer of government and parastatal accounts to the Central Bank of and the creation of a Stabilization Securities Account (SSA) whereby the banks were debited with excess liquidity in their accounts with the Central Bank.

2.3.1 Ownership structure

Table 2 shows that most of the companies were engaged in service-related activities with most of the ownership structure being sole proprietorship and partnership.

2.3.2 Capital base

The amount of money needed for business operations can directly influence the source which the investor will approach. Some have argued that small enterprises with a small capital base would tend to use the informal financial institutions. As table 2 shows, about 66 percent of the enterprises covered in the study had a capital base of less than 100,000 naira, and about 34 percent had a capital base of between 100,000 and 2 million naira.

TABLE 2

Relationship between capital base, number of employees, financing sources and type of business.

TYPES OF BUSINESS	EMPLOYEES (NO)	CAPITAL BASE (₦)	STRUCTURE	SOURCES
Food & beverages	1-20	<100,000	Partnership	PS, CB
Brick-making	1-20	<100,000	Partnership	PS, ML, R, CS
Road-side mechanics	1-20	<100,000	Partnership	PS, R, F, ML
Printing	1-20	100,000<2m	Partnership	PS, R, CB, ML
Fast food	1-20	<100,000	Partnership	PS,R, F
Electronic stores	1-20	100,000<2m	Sole proprietorship and Partnership	PS,R, F
Road construction	21-100	100,000<2m	Partnership	PS, CB, MB
Import and export	1-30	100,000<2m	Private ltd liability & partnership	PS, CB
Supermarket	5-30	100,000<2m	Private ltd liability & partnership	PS, CS, CB
Motor dealer	4-20	100,000<2m	Private ltd liability & partnership	PS, CB
Medicine and pharmacy	21-50	100,000<2m	Partnership	PS, R, CB
Clearing and forwarding	1-20	<100,000	Private ltd coy & sole proprietorship	PS, F
Carpentry	1-20	<100,000	Sole proprietorship	PS, F, R, CS
Plumbing	1-20	<100,000	Sole proprietorship	PS, R, CS, CB
Weaving	1-20	<100,000	Sole proprietorship	PS, R, ML, CS
Banking	1-20	<100,000	Sole proprietorship	PS, R, CB, F, CB
Welding	1-20	<100,000	Sole proprietorship	PSM R, CS, F, ML
Shoe-making	1-20	<100,000	Sole proprietorship	PS,CS
Tailoring	21-50	100,000<2m	Sole proprietorship	PS, CB, R
Pottery	1-20	<100,000	Sole proprietorship	PS, R
Hotel management	50-100	100,000<2m	Sole proprietorship	PS, CB

Notes: PS - Personal Savings
CB - Commercial Banks
MB - Merchant banks
F - Friends
R - Relatives
CS - Co-operative societies
ML - Money lenders

Sources: Central Bank of Nigeria, 2010

2.4 Determinants of Poverty Rate

The standard set of growth-stimulating policies, such as institution-building, trade openness, and prudent fiscal and monetary stances increase the opportunity set of profitable investments, benefiting the poor primarily by an expansion of the opportunities to earn a return from labor employment. For example, trade restrictions that tend to protect capital-intensive importable reduce the returns to labour, and overvalued exchange rates that reduce the profitability of tradable, turn the terms of trade against the poor, which tend to be net producers of tradables. Additionally, environmental influences like availability of arable land and reliance on natural resources, external factors such as changes in the terms of trade, together with institutional characteristics such as the level of democracy may plausibly have dissimilar impacts on different segments of the income distribution. This section expands the discussion in the literature review to poverty determinants other than economic growth. With respect to growth related policies, this discussion focuses on the direct links to the income of the poor, abstracting for the most part, from discussing the growth implications, Edward (1998).

2.4.1 Macroeconomic Stability

The impact of macroeconomic stability is captured by inflation and the government budget balance relative to GDP. A stable macroeconomic environment-characterized by low and predictable inflation, sustainable budget deficits, and limited departure of the real exchange rate from its equilibrium level-sends important signals to the private sector about the commitment and credibility of a country's authorities to efficiently manage their economy. In addition to the beneficial effects on growth, investment, and productivity studies by Easterly and Kraay, (1999) had identified an adverse impact of inflation on the poor. Using survey data from a cross section of countries, Easterly and Levine (1997) find that the poor are more likely than the rich to mention inflation as a top national concern. In addition, using pooled time-series and cross-country data, these authors find that direct measures of the well-being of the poor (e.g., the change in their share of national income and the real minimum wage) are negatively correlated with inflation. Some of the arguments that have been advanced include the fact that the rich are more likely to have access to financial hedging instruments that can be used to protect the real value of their wealth inequality.

2.4.2 Income Inequality

The progress in reducing rates of poverty through economic growth depends crucially on its distributional characteristics. This is particularly true for statistical measures of poverty as relatively high numbers of people are clustered around typical poverty lines. As a corollary 10, the poverty gap in the developing world is surprisingly small, at about one-third of total consumption by the developing world in 1985 for the poorest fifth of the population in the developing world. While these characteristics do raise the prospects for poverty alleviation through growth, as in East Asia through the 1980s and first half of the 1990s, Lipton and Ravaillon (1995) point out that "only small deviations in neutrality" are necessary to reverse the poverty reducing effects of distributionally neutral economic growth. This study measures inequality with the Gini index of inequality.

2.4.3 Institutions and governance

The distribution across income groups, of the benefits of growth are likely to depend, not just on the sectoral pattern of growth but also on the degree of popular representation at the policymaking level and the effectiveness of the governing institutions. Whereas economic freedom may herald stronger property rights and freer markets, and therefore impact the income of the poor mainly through its beneficial impact on overall economic performance, political emancipation may be associated with the tendency to enact income redistribution schemes (including land reforms), and it may shift the focus of economic policy towards equity, possibly at the expense of (some) economic growth. Through its likely positive impact on other variables (for example, the rule of law and the rate of investment), it may also be that democracy's main impact on the income of the poor (and on overall income) is indirect. Barro (1996) discusses the impact of the rule of law and free markets on economic growth, while Easterly and Levine (1997) provide an interesting evaluation of the role of institutions and economic policies in economic growth in Africa.

2.4.4 Human Capital Development

Given a conducive environment, the productivity of the labor supplied by the poor is an important determinant of their ability to benefit from the enhanced opportunities-a situation that point to important synergies between growth promotion and initial conditions. Recent work in development economics acknowledges that a fundamental reason for the success of East Asia in promoting equitable growth was due not only to the labor-demanding nature of production but also to the relatively large stock of education and skills embodied in the labor force. This study captures the effect of human capital development through measures of health and educational status (such as life expectancy and school enrollment rates). In the case of educational status, these result-oriented measures also capture the effects of local incentives to acquire the related skills (more so than public expenditure data).

2.4.5 Financial Sector Development

Financial sector development may also benefit the poor by facilitating access to credit and improving risk-sharing and resource allocation. The poor, due to their lack of assets *and* the universal unacceptability of labor income as collateral, tend to have more difficulties than the rich in accessing credit. In particular, this prevents the poor from:

(i) Smoothing their consumption in bad times; and

(ii) Investing in riskier but more productive technologies (for which effective risk sharing is necessary). Observationally, two phenomena are likely to arise:

a) underinvestment by the poor will tend to be particularly large with respect to education, and

b) a positive correlation between the distribution of resource levels and investment opportunities will tend to widen the extent of inequality. In both cases, there is the potential for significant policy complementarities between access to credit (with which to invest in education) and the increase in the returns to labor occasioned by growth promotion policies. In this study, financial sector development is measured by the ratio of

broad money to GDP.

2.4.6 Physical Capital

Empirical studies consistently report a positive role for the investment ratio in explaining international differences in both the standard of living (as measured by GDP per capita) and economic growth rates. A number of studies have also investigated the possibility that the public and private components of investment have different impacts on economic growth, although both components tend to be growth promoting. With respect to the impact on the income of the poor, it may be that public, compared to private; investment has more of a positive impact on the income of the poor, especially at low levels of development. Intuitively, basic investments in infrastructure may benefit the poor more than proportionately by facilitating initial access to markets or to basic social services. To the extent that the productivity of private investment is enhanced, the impact on the poor would be further strengthened.

3.0 Research methodology

3.1 Research design

The research design adopted for this study was an ex-post factor design. According to Anyanwu (2004), Ex-post factor is a systematic empirical enquiry in which the scientist does not have direct control of independent variables because they are inherently not manipulable. In effect, there was no manipulation of the independent variables used in this study. In addition, since this study involves a large population of twenty years, this design help the researcher to find out, describe and explain existing phenomena and draw generalization on the population based on the data collected from the sample.

3.2 Method of Data Collection and Data Sources

The only sources of data available for this study were the secondary sources. The secondary sources of data for this research include the following: publications from Central Bank of Nigeria and Federal Office of Statistics. For data collection method, the manual retrieval and on-line retrieval methods were used.

3.3 Model Specification

In this work, the econometric model used which is in line with what is mostly found in the literature is stated below:

PR = f(SMEF, INFLR, EXHR,UEMPR)…..(i)

Where;

PR = Poverty Rate
SMEF = Small and Medium Enterprises Financing
INFLR = Inflation Rate
EXHR = Exchange Rate
UEMPR = Unemployment Rate
PR = Dependent Variable
SMEF, INFLR, EXHR, UEMPR = Independent Variables
f = Functional Notation

The Ordinary Least Square for the above model is stated as follows:

$PR = a_0 + a_1SMEF + a_2INFLR + a_3EXHR + a_4UEMPR + e$……(ii)

Where;

a_0 = Unknown Constant to be estimated
$a_1 – a_4$ = Unknown coefficient to be estimated
e = Stochastic error term
$a_1, a_2, a_3, a_4 \geq 0$.

4.1 Research result and findings

TABLE 4.1.1

Relationship between poverty rate; small and medium enterprises financing, inflation rate, exchange rate and unemployment rate in Nigeria from 1991-2010

Year	Poverty rate (%)	SME ₦'M	Inflation rate (%)	Exchange rate ₦	Unemployment rate (%)
1991	43.5	18500	13.0	15.3	3.1
1992	42.7	20400	44.5	17.3	3.4
1993	49.0	15462.9	57.2	22.33	2.7
1994	54.7	20552.5	57.0	21.89	2.0
1995	60.0	32374.5	72.8	84.58	1.8
1996	65.6	42302.1	29.3	79.6	3.4
1997	70.0	40844.3	8.5	74.63	2.8
1998	74.6	42600.7	10.0	84.37	4.5
1999	78.2	46824	6.6	92.53	6.4
2000	80.8	44542.3	6.9	109.55	5.5
2001	70.5	52428.4	18.9	112.49	7.3
2002	70.1	82368.4	12.9	126.4	8.4
2003	60.8	90176.6	14.0	135.41	8.0
2004	54.4	54981.2	15.0	132.67	10.5
2005	60.0	50672.6	17.5	130.4	12.7
2006	65.0	25713.7	8.2	128.27	13.5
2007	58.0	41100.4	5.4	117.97	14.6
2008	55.5	13383.9	6.7	135.0	14.0
2009	50.0	15478.4	7.8	155.4	15.5
2010	45.0	17368.6	6.0	154.5	16.3

Source: Central Bank of Nigeria Statistical Bulletin (2010)

TABLE 4.1.2

Regression result on SME's financing and poverty reduction in Nigeria

Variable	Coefficient	Std. error	t-statistics	Prob.
C	12.34426	34.23342	0.360591	0.7234
LSME	1.279128	3.794494	0.337101	0.7407
INFLR	-0.232513	0.099851	-2.328604	0.0343
LEXHR	13.28199	3.737154	3.554038	0.0029
UEMPR	-2.355174	0.578637	-4.070211	0.0010

$R^2 = 0.744711$

R^2 (adjusted)=0.676634, F-statistic = 10.93922 (P.V.=0.000235),

SER = 6.449445, Durbin-Watson statistic = 1.010993

Source: See regression result (Appendix 1)

Table 4.1.1 depicts the relationship between poverty rate,SME's financing inflation rate, exchange rate and unemployment rate in Nigeria. The first column shows the years from 1991 to 2010 which represent the period of the study while, the other columns capture the poverty rate, SME's financing, inflation rate, exchange rate and unemployment rate for the period under review.

Table 4.1.2 represents the empirical result of the ordinary least square (OLS) estimates. The following statistics are taken care of; the coefficient of multiple determination (R^2), f-ratio, the standard error of the regression (SER) and Durbin-Watson (DW) statistics.

We use R^2 to measure the overall goodness of fit of the regression plane; the higher the R^2, the better the goodness of fit. To pass the goodness of fit test, the coefficient of determination must have a value of at least fifty percent. The magnitude of the f-statistics is a test of the significance of the relationship between the dependent variable and the independent variables of a model taken as a whole, while Durbin-Watson statistics is used to test for the first-order autocorrelation of the random variable. Because multiple regression model was used, we also included the adjusted R^2 or coefficient of multiple regression. This is the standard and procedure in most research of this magnitude.

From the result in table 4.1.2, the explanatory power of the model as informed by the adjusted R-square is seventy four percent, and is statistically significant given the high value of the f-statistics (i.e. 10.93922). In the same vein, R^2 turn out with sixty eight percent. To this end, the model demonstrates a good fit given that about seventy four percent of the variation in the dependent variable (poverty rate) is jointly

explained by changes in the observed behaviour of the independent variables. The relatively high adjusted R-square of seventy four percent, shows that the model fits the data well. About twenty six percent variation in poverty rate can be explained by other unknown variables not captured in the model. The high significant f-statistics value of 10.93922 confirms that the high adjusted R-square did not occur by chance. Therefore, the model is robust. The a prior expectations about the signs of the parameter estimates are confirmation to economic theory. Here all the variables except inflation rate and unemployment rate entered the model with positive signs. By interpretation, a one percent change in SME's financing will affect poverty rate by one hundred and twenty eight percent all things being equal. Again, a one percent change in exchange rate affect poverty rate by one hundred and thirty percent. For inflation rate and unemployment rate, a one percent change in the variables will negatively affect poverty rate by twenty three and two hundred and thirty six percent respectively.

To test for the auto correlation in the residual, the calculated Durbin-Watson (DW) statistics is used to compare with the table DW value. For there to be no autocorrelation in the residual of the model, the calculated DW value must be greater than dl. Given that, the calculated DW statistics = 1.010993, dl =0.792 and du =1.991 since k=5 variables and n=20 years and at five percent level of significance, it can be concluded that the model is free from auto correlation of the residual.

From the foregoing, with t-ratio

H_o: $X^2 = 0$ and is formally tested against the alternative H_a: $X^2 = 0$

Decision rule:

Accept H_0: If calculated t-statistics is less than the tabulated t-statistics value

Reject H_o: If calculated t-statistic is greater than the tabulated t-statistic value.

H_{o1}: There is no significant relationship between small and medium enterprises financing and poverty reduction in Nigeria

H_{a1}: There is a significant relationship between small and medium enterprises financing and poverty reduction in Nigeria.

With reference to table 4.1.2 and using the t-statistic to test for the significance of the estimated coefficient, the calculated t-statistic computed is 0.337101 and the table value is 0.1312 at ninety five percent confidence interval. Given that the calculated t-statistics is greater than the table value, that is, 0.337101>0.1312 with the degree of freedom n-2 (i.e. 20-2)=18 at one tail five percent level of significance, the null hypothesis of no significance is rejected, and the alternative accepted.

H_{o2}: There is no significant relationship between unemployment rate and poverty reduction in Nigeria.

H_{a2}: There is a significant relationship between unemployment rate and poverty reduction in Nigeria.

Also, from table 4.1.2 the calculated t-stat value of -4.070211 was found to be less than the tabulated t-stat of 0.1312 at five percent level of significance. Going by this, the null hypothesis of no significance is accepted and the alternative rejected.

From the data analysis and the test of hypothesis, it was discovered that there is a significant relationship between SME's financing and poverty reduction in Nigeria. To this end, SME's financing had a positive correlation with poverty rate. This indicates that loans to small and medium scale entrepreneurs positively influence poverty in Nigeria. This finding is in agreement with the study of Aderibigbe (2000) who find out a positive relationship between loans to SME's and poverty reduction in Nigeria.

In addition, the study revealed that unemployment has a very strong negative correlation with poverty in Nigeria. This indicates that the more people remain unemployed the poorer they will become. This is in line with the work of Latefee (2003) who discovered a negative correlation between poverty and unemployment.

5.1 Conclusion and recommendations

In this study, the researcher has painstakingly assessed the impact of small and medium enterprises financing on poverty reduction in Nigeria. This study proffers a framework for tackling poverty in Nigeria.

It is therefore concluded that small and medium enterprises financing has a significant relationship with poverty in Nigeria, while unemployment has a strong negative relationship with poverty in Nigeria. From the foregoing, it is therefore recommended as follows:

1. Adequate attention should be given to SME's through channeling of more resources to the sector. This would to a great extent reduce poverty in Nigeria
2. The government should as a matter of urgency diversify the economy and create more jobs for the increasing population to reduce the unemployment rate in the country. This would go a long way to reduce poverty in Nigeria.
3. Finally, it is apposite to suggest that prospective researchers in this area should broaden their study to cover a wider spectrum of poverty reduction in Nigeria.

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APPENDIX

Appendix 1: Regression Result
Dependent Variable: PR
Method: Least Squares
Date: 10/21/14 Time: 10:23
Sample: 1991 2010
Included observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.34426	34.23342	0.360591	0.7234
LSME	1.279128	3.794494	0.337101	0.7407
INFLR	-0.232513	0.099851	-2.328604	0.0343
LEXHR	13.28199	3.737154	3.554038	0.0029
UEMPR	-2.355174	0.578637	-4.070211	0.0010

R-square	0.744711	Mean dep var	60.42000
AdjustedR square	0.676634	S.D. dep var	11.34161
S.E. of regression	6.449445	Akaikeinfocriteri	6.778183
Sumsquared resi	623.9300	Schwarz criterion	7.027116
Log likelihood	-62.78183	Hannan-Quinn cri	6.826777
F-statistic	10.93922	Durbin-Watson stat	1.010993
Prob(F-statistic)	0.000235		

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